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COMMISSIONER

JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

**IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, TO EXTEND ITS
EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY AT CASA
GRANDE, PINAL COUNTY, ARIZONA**

DOCKET NO. W-01445A-03-0559

**FILING OF REBUTTAL
TESTIMONY OF JIM POULOS**

Pursuant to the Procedural Order dated April 19, 2006, in this docket, Cornman Tweedy 560, LLC, hereby files the Rebuttal Testimony and accompanying Exhibits of Jim Poulos.

RESPECTFULLY submitted this 6th day of July, 2006.

SNELL & WILMER

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Phoenix, Arizona 85004-2202
Attorneys for Cornman Tweedy 560, LLC

ORIGINAL and thirteen (13) copies
of the foregoing have been filed with
Docket Control this 6th day of July, 2006.

A COPY of the foregoing was hand-
delivered this 6th day of July, 2006, to:

Teena Wolfe, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

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9 A COPY of the foregoing sent via e-mail and first
10 class mail this 6th day of July, 2006, to:

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER – Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 **IN THE MATTER OF THE APPLICATION**
9 **OF ARIZONA WATER COMPANY, AN**
10 **ARIZONA CORPORATION, TO EXTEND ITS**
11 **EXISTING CERTIFICATE OF**
12 **CONVENIENCE AND NECESSITY AT CASA**
13 **GRANDE, PINAL COUNTY, ARIZONA**

DOCKET NO. W-01445A-03-0559

14
15 **REBUTTAL TESTIMONY OF JIM POULOS**

16 **ON BEHALF OF INTERVENOR**

17 **CORNMAN TWEEDY 560, L.L.C.**

18
19 **JULY 6, 2006**
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1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND
2 OCCUPATION.

3 A. My name is Jim Poulos. I am Vice President of Cornman Tweedy 560, LLC
4 ("Cornman Tweedy"), the intervenor in this case. I am also an officer of various
5 land acquisition companies, land development companies, construction companies,
6 and public utilities owned or controlled by Edward J. Robson (collectively,
7 "Robson"). My business address is 9532 East Riggs Road, Sun Lakes, Arizona
8 85248.

9 Q. HAVE YOU PREVIOUSLY PROVIDED PRE-FILED DIRECT
10 TESTIMONY IN THIS DOCKET?

11 A. Yes. I submitted pre-filed direct testimony on June 12, 2006. I incorporate in this
12 rebuttal testimony my pre-filed direct testimony as though fully set forth herein.

13 Q. WHAT ARE THE PURPOSES OF YOUR REBUTTAL TESTIMONY?

14 A. First, I would like to further explain Robson's long-standing business model of
15 developing and constructing amentized, age-restricted master planned
16 communities, and how EJR Ranch, of which the Cornman Tweedy Property is a
17 part (as defined later in my testimony), is a departure from that business model.
18 Second, I would like to address certain issues raised by the pre-filed direct
19 testimony of Arizona Water Company ("AWC") witnesses William M. Garfield
20 and Michael J. Whitehead.

21 Q. I WOULD LIKE TO BEGIN BY ASKING YOU TO DEFINE CERTAIN
22 TERMS THAT YOU WILL USE IN YOUR REBUTTAL TESTIMONY.
23 WHAT IS THE FLORENCE COUNTRY ESTATES PROPERTY?

24 A. The "Florence Country Estates Property" refers to 240 acres that was purchased by
25 Cornman Tweedy on December 8, 2004, as part of a 325.26-acre acquisition from
26 HWY 287-Florence Boulevard, Inc., and Madison Diversified 882 Corp. The
27 Florence Country Estates Property is located within the area that was conditionally
28 certificated to AWC pursuant to Decision 66893 (hereinafter, the "Conditional

1 Extension Area").

2 **Q. DOES CORNMAN TWEEDY OWN OTHER PROPERTY THAT IS**
3 **INCLUDED WITHIN THE CONDITIONAL EXTENSION AREA?**

4 A. Yes. Cornman Tweedy purchased 1,854.61 acres from an assignee of the Dermer
5 Family Trust on December 17, 2004. Of that 1,854.61 acres, approximately 649
6 acres are located within the Conditional Extension Area. In addition, Cornman
7 Tweedy purchased 164.25 acres from HCG Ventures II, LLC, on February 11,
8 2005, which is located within the Conditional Extension Area. The 649 acres
9 acquired from an assignee of the Dermer Family Trust, plus the 325.26 acres
10 acquired from HWY 287-Florence Boulevard, Inc., and Madison Diversified 882
11 Corp., plus the 164.25 acres acquired from HCG Ventures II, LLC, comprise the
12 approximately 1,138 acres which is referred to herein as the "Cornman Tweedy
13 Property," which is located within the Conditional Extension Area, as identified on
14 Exhibit CT-1 of my direct testimony. The Cornman Tweedy Property comprises
15 the northern part of a larger parcel of property owned by Cornman Tweedy known
16 as "EJR Ranch." EJР Ranch is depicted on the map that is attached as Exhibit CT-
17 1 of my direct testimony.

18 **Q. PLEASE DESCRIBE ROBSON'S BUSINESS PLAN?**

19 A. Since 1972, Robson has planned, developed and constructed only age-restricted
20 master planned communities with a complete amenity package designed for
21 retirees including golf, arts and crafts, clubhouses, and fitness centers that promote
22 an active adult lifestyle. To date, Robson has sold more than 22,000 homes in
23 these communities. Robson's success and indeed, its very identity, have been tied
24 entirely to this type of active adult development.

25 **Q. HOW DID ROBSON'S BUSINESS MODEL GET STARTED?**

26 A. It started with the creation of a development know as Sun Lakes, the hallmark
27 Robson community. Sun Lakes, which was recently built-out at over 10,000
28 homes, became the cornerstone of the Robson business model. Today, Robson is

1 recognized as a premier builder of adult retirement communities.

2 **Q. WHAT IS ROBSON RANCH?**

3 A. Robson Ranch is a new amentized, age-restricted master planned community
4 located south of (and contiguous to) the southern boundary of EJR Ranch. Robson
5 Ranch will contain approximately 10,000 homes at full build-out, which will be
6 constructed over the next 20 to 30 years.

7 **Q. HOW DOES ROBSON RANCH FIT INTO THE ROBSON BUSINESS**
8 **MODEL?**

9 A. Robson Ranch opened in 2005, and the project is very strategic to the Robson
10 business plan because it is the successor community to Sun Lakes. It was very
11 important that Robson Ranch open in 2005 because Sun Lakes was built-out in
12 2005.

13 **Q. HOW DOES EJR RANCH FIT INTO THE ROBSON BUSINESS MODEL?**

14 A. EJR Ranch is a complete departure from the Robson business model because it is
15 planned as a conventional (*i.e.*, not age restricted) community including grade
16 schools and parks. Although Robson was already developing Robson Ranch, a
17 unique opportunity presented itself to acquire the adjoining EJR Ranch property in
18 2004-2005 on very favorable terms. Because of the proximity of Robson Ranch,
19 the decision was made to develop EJR Ranch as a conventional community so as
20 not to compete with Robson Ranch and over-saturate the retirement community
21 market in that area. Unlike Robson Ranch, EJR Ranch is neither an integral part
22 nor a strategic part of the Robson business plan.

23 **Q. WHAT IS THE STATUS OF EJR RANCH?**

24 A. Upon acquisition of the EJR Ranch property, various activities were initiated to
25 entitle and develop the property in a hot real estate market. However, the value of
26 the EJR Ranch property increased more than ten-fold during 2005. As a result of
27 this unexpected and tremendous run-up in value, the tax strategy for the property
28 took clear priority over any plans to develop the property. Between December

1 2005 and the end of first quarter 2006, the strategy shifted from development of
2 EJR Ranch to shutting the project down. In addition to the tax consideration, the
3 other factors that led to this decision included: (1) the real estate market slowed
4 significantly from December 2005 through March 2006; (2) Cornman Tweedy does
5 not have a significant investment in the EJR Ranch property, and therefore, can
6 afford to carry the property indefinitely; (3) Cornman Tweedy would have to make
7 a significant investment to open EJR Ranch (in a declining real estate market), and
8 is unwilling to commit the financial resources at this time; and (4) EJR Ranch is
9 not integral to the Robson business plan. All entitlement and development
10 activities ceased at the end of the first quarter 2006, except for certain limited
11 activities that could reasonably be completed by the end of 2006. However, at the
12 end of 2006, all entitlement and development activities at EJR Ranch will have
13 ceased, and the lights will be turned out.

14 **Q. WHAT IS THE TAX STRATEGY FOR EJR RANCH?**

15 A. Cornman Tweedy's strategy is to position EJR Ranch so that it qualifies for capital
16 gains treatment, which will result in significant tax savings. Because development
17 and entitlement activities had commenced on EJR Ranch, Cornman Tweedy's tax
18 advisors recommended that those activities be terminated as soon as possible in
19 2006, and that EJR Ranch be held without any activity for at least five years in
20 order to lock in capital gains treatment. Cornman Tweedy is following the advice
21 of its tax advisors, and EJR Ranch has been placed in the ice box.

22 **Q. YOU STATED THAT ANOTHER FACTOR THAT LED TO THE**
23 **DECISION TO SHUT DOWN DEVELOPMENT OF EJR RANCH WAS**
24 **THE SLOWING REAL ESTATE MARKET. DO YOU HAVE EVIDENCE**
25 **OF A SLOWING REAL ESTATE MARKET?**

26 A. Absolutely. As a developer, Cornman Tweedy follows the real estate market very
27 closely, and is generally aware of the slowing real estate market in Arizona as
28 evidenced by the spate of recent newspaper articles on the subject. To illustrate the

1 point, Robson sold 293 homes at Robson Ranch in the first four months of the
2 project from August through November, 2005. By comparison, Robson sold only
3 47 homes in the next four months from December 2005 through March 2006,
4 which highlighted the slowing real estate market. See Exhibit CT-4, Net Sales at
5 Casa Grande. Moreover, sales at Robson Ranch have totaled only 21 homes in the
6 three months of April, May and June 2006, which further validates the decision to
7 shut down development of EJR Ranch.

8 **Q. YOU STATED THAT CORNMAN TWEEDY HAS SHUT DOWN THE EJR**
9 **RANCH DEVELOPMENT. SPECIFICALLY, WHAT STEPS HAVE YOU**
10 **TAKEN TO "SHUT DOWN" THE DEVELOPMENT?**

11 A. First, the project engineer, Clark Clatanoff, who was hired specifically to manage
12 the engineering consultant team that was working on EJR Ranch, was asked to
13 resign in March 2006, concurrent with the shut down of the project. A copy of Mr.
14 Clatanoff's letter of resignation is attached as Exhibit CT-5. In addition, we
15 evaluated all work-in-progress associated with entitlements and other development
16 activities at EJR Ranch to determine which ones would be completed and which
17 ones would not.

18 **Q. WHAT FACTORS DID YOU CONSIDER IN MAKING THE DECISION TO**
19 **CONTINUE OR DISCONTINUE A PARTICULAR ENTITLEMENT OR**
20 **DEVELOPMENT ACTIVITY?**

21 A. By far the most important consideration was whether the activity could be
22 completed during 2006 so as not to jeopardize the tax strategy of achieving capital
23 gains treatment for the investment in the EJR Ranch Property. Other factors
24 considered included (1) the size of the investment which had already been made in
25 the particular entitlement or development activity; (2) the amount of additional
26 money needed to complete the entitlement or development activity; and (3) the
27 usefulness of the entitlement or development activity after the five-year holding
28 period.

1 Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF WILLIAM M.
2 GARFIELD AND ACCOMPANYING EXHIBITS FILED IN THIS
3 DOCKET?

4 A. Yes. There are certain misstatements and errors in Mr. Garfield's testimony that I
5 would like to address.

6 Q. AT PAGES 10-11 OF HIS DIRECT TESTIMONY, MR. GARFIELD
7 SUPPOSES THAT CORNMAN TWEEDY "SECRETLY" REQUIRED THE
8 SELLERS OF THE FLORENCE COUNTRY ESTATES PROPERTY TO
9 WITHDRAW THEIR APPLICATION FOR A CERTIFICATE OF
10 ASSURED WATER SUPPLY ("AWS") FOR THE PROPERTY IN ORDER
11 TO SET UP AN ARGUMENT THAT AWC DID NOT COMPLY WITH THE
12 CONDITIONS OF DECISION NO. 66893. IS THIS TRUE?

13 A. No, it is ridiculous. At the time Cornman Tweedy acquired the Florence Country
14 Estates Property from HWY 287-Florence Boulevard, Inc., and Madison
15 Diversified 882, Corp., in late 2004, Cornman Tweedy was unaware that an
16 application for a certificate of AWS had been filed by the sellers. Certainly,
17 neither Cornman Tweedy nor any person or entity affiliated with Cornman Tweedy
18 required or even suggested that the application be withdrawn as a condition of
19 purchasing the Florence Country Estates Property. In fact, the first time that
20 Cornman Tweedy was aware that an application for a certificate of AWS had been
21 filed and then withdrawn by the sellers of the Florence Country Estates Property
22 was when I read the direct testimony of Mr. Garfield.

23 Q. DID CORNMAN TWEEDY, OR ANY PERSON OR ENTITY AFFILIATED
24 WITH CORNMAN TWEEDY, ASK THE SELLERS OF THE FLORENCE
25 COUNTRY ESTATES PROPERTY TO SEND THE E-MAIL DATED
26 OCTOBER 7, 2004, FROM BRIAN CARPENTER TO JENI MARTIN
27 WHICH IS ATTACHED AS EXHIBIT WMG-10 TO MR. GARFIELD'S
28 DIRECT TESTIMONY?

1 A. No. In fact the first time I ever saw the e-mail, or knew of its contents, was when it
2 was filed as an exhibit to Mr. Garfield's direct testimony.

3 Q. AT PAGE 10, LINES 1-6, MR. GARFIELD STATES THAT THE
4 PREVIOUS OWNER OF THE FLORENCE COUNTRY ESTATES
5 PROPERTY WITHDREW ITS APPLICATION FOR A CERTIFICATE OF
6 AWS "ASKING ADWR TO REVOKE ITS APPLICATION AND CLOSE
7 ITS CAWS APPLICATION FILE, CITING THE FACT THAT ROBSON
8 COMMUNITIES WAS BUYING THE DEVELOPMENT AND INTENDED
9 THAT IT, NOT AWC (THE HOLDER OF THE CCN), WAS GOING TO
10 PROVIDE WATER SERVICE THROUGH ONE OF ITS UTILITY
11 AFFILIATES TO THE DEVELOPMENT." IS THIS WHAT THE E-MAIL
12 SAYS?

13 A. No. The e-mail states only that "Robson will include this land in their maser plan
14 and make their own arrangements for water supply." Nowhere does the e-mail
15 state that Robson would provide water service through one of its utility affiliates as
16 Mr. Garfield states.

17 Q. WHAT DID THE AUTHOR INTEND BY THE E-MAIL?

18 A. I don't know. Cornman Tweedy was not the author of the e-mail, and I never saw
19 the e-mail until I read Mr. Garfield's testimony.

20 Q. DID CORNMAN TWEEDY, OR ANY PERSON OR ENTITY AFFILIATED
21 WITH CORNMAN TWEEDY, ASK THE SELLERS OF THE FLORENCE
22 COUNTRY ESTATES PROPERTY TO SEND THE LETTER DATED
23 OCTOBER 20, 2004, FROM CORMAC NOLAN TO NORMA COUPAUD
24 WHICH IS ATTACHED AS EXHIBIT WMG-11 TO MR. GARFIELD'S
25 DIRECT TESTIMONY?

26 A. No. I have never seen the letter, and was previously unaware of its existence and
27 contents until it was filed as an exhibit to Mr. Garfield's direct testimony.
28 Moreover, I never knew that the sellers had filed an application for a Certificate of

1 AWS for the Florence Country Estates Property until I read Mr. Garfield's Direct
2 Testimony.

3 **Q. DID CORNMAN TWEEDY, OR ANY PERSON OR ENTITY AFFILIATED**
4 **WITH CORNMAN TWEEDY, ASK THE SELLERS OF THE FLORENCE**
5 **COUNTRY ESTATES PROPERTY TO SEND THE LETTER DATED**
6 **OCTOBER 29, 2004, FROM CORMAC NOLAN TO NORMA COUPAUD**
7 **WHICH IS ATTACHED AS EXHIBIT WMG-12 TO MR. GARFIELD'S'**
8 **DIRECT TESTIMONY?**

9 **A.** No. I have never seen the letter, and was previously unaware of its existence and
10 contents until it was filed as an exhibit to Mr. Garfield's direct testimony.
11 Moreover, to reiterate what I have stated above, I never knew that the sellers had
12 filed an application for a certificate of AWS for the Florence Country Estates
13 Property until I read Mr. Garfield's Direct Testimony.

14 **Q. DID ANY PERSON AFFILIATED WITH HWY 287-FLORENCE**
15 **BOULEVARD, INC., OR MADISON DIVERSIFIED 882 CORP. CONSULT**
16 **WITH CORNMAN TWEEDY OR ANY PERSON OR ENTITY**
17 **AFFILIATED WITH CORNMAN TWEEDY BEFORE SUBMITTING THE**
18 **APPLICATION FOR A CERTIFICATE OF AWS FOR THE FLORENCE**
19 **COUNTRY ESTATES PROPERTY?**

20 **A.** No. Cornman Tweedy had no prior knowledge that the sellers of the Florence
21 Country Estates Property were filing an application for a certificate of AWS for the
22 Florence Country Estates Property. Cornman Tweedy first became aware of the
23 application when it was discussed in Mr. Garfield's direct testimony.

24 **Q. DID ANY PERSON AFFILIATED WITH HWY 287-FLORENCE**
25 **BOULEVARD, INC., OR MADISON DIVERSIFIED 882 CORP. CONSULT**
26 **WITH CORNMAN TWEEDY OR ANY PERSON OR ENTITY**
27 **AFFILIATED WITH CORNMAN TWEEDY BEFORE SUBMITTING THE**
28 **OCTOBER 29, 2004, LETTER TO THE ARIZONA DEPARTMENT OF**

WATER RESOURCES WITHDRAWING THE APPLICATION?

A. No. Cornman Tweedy had no prior knowledge that the sellers of the Florence Country Estates Property were going to withdraw their application for a certificate of AWS. Again, as I stated above, Cornman Tweedy first became aware of the application when it was discussed in Mr. Garfield's direct testimony.

Q. WAS THE WITHDRAWAL OF THE APPLICATION FOR A CERTIFICATE OF AWS FOR THE FLORENCE COUNTRY ESTATES PROPERTY A CONDITION OF THE SALE TO CORNMAN TWEEDY?

A. No. Cornman Tweedy had no knowledge of the application until it was discussed in Mr. Garfield's Direct Testimony.

Q. WERE THERE ANY "SECRET DEALS" BETWEEN CORNMAN TWEEDY AND THE SELLERS OF THE FLORENCE COUNTRY ESTATES PROPERTY REGARDING THE WITHDRAWAL OF THE APPLICATION FOR A CERTIFICATE OF AWS OR TO OTHERWISE THWART AWC'S EFFORTS TO SATISFY THE CONDITIONS SET FORTH IN DECISION 66893?

A. Absolutely not. I don't know where Mr. Garfield got his information.

Q. HAD CORNMAN TWEEDY BEEN AWARE OF THE APPLICATION FOR A CERTIFICATE OF AWS FOR FLORENCE COUNTY ESTATES, WOULD CORNMAN TWEEDY HAVE COMPLETED THE APPLICATION PROCESS BASED ON THE PLAT CALLING FOR ONE-ACRE LOTS FOR THE FLORENCE COUNTRY ESTATES PROPERTY?

A. No. The plan for EJR Ranch is a high density (*i.e.*, 3 plus lots per acre) affordable housing, and the one-acre home sites of the Florence Country Estates development plan do not fit that profile.

Q. MR. GARFIELD STATES ON PAGE 10, LINES 8-12 OF HIS DIRECT TESTIMONY THAT ROBSON COMMUNITIES, UNDER ITS DEVELOPMENT CALLED EJR RANCH, FILED ITS OWN AWS

1 APPLICATION ON OCTOBER 18, 2004, WHICH INCLUDED THE
2 FLORENCE COUNTRY ESTATES PROPERTY. IS MR. GARFIELD'S
3 STATEMENT ACCURATE?

4 A. It is misleading, and needs clarification. Immediately preceding this portion of his
5 testimony, Mr. Garfield discusses the application for a certificate of AWS filed by
6 the sellers of the Florence Country Estates Property. By stating that EJR Ranch
7 "filed its own assured water supply application on October 18, 2004," it sounds like
8 EJR Ranch filed an application for a certificate of assured water supply. This is not
9 true. EJR Ranch filed an application for an Analysis of AWS, not an application
10 for a Certificate of AWS.

11 Q. WHAT IS AN ANALYSIS OF AWS?

12 A. According to Arizona Department of Water Resources' website, an analysis of
13 AWS can be obtained prior to the "certificate" application for the purposes of pre-
14 reviewing a master planned area that is not yet platted. An analysis of AWS is
15 intended for unplatted subdivisions only. If the analysis of AWS is granted, it can
16 be cited in the application for a certificate of AWS if the conditions underlying the
17 analysis remain the same. In this manner, the process for obtaining a certificate of
18 AWS can be expedited. Groundwater shown to be physically available as part of
19 an analysis of AWS is considered by the Arizona Department of Water Resources
20 when making other AWS determinations for 10 years following the application
21 date. Thus, once an analysis of AWS has been obtained, the value of the property
22 is enhanced, and the landowner can then cite the analysis when seeking a certificate
23 at any time during the next 10 years.

24 Q. WHAT IS REQUIRED IN ORDER TO OBTAIN A CERTIFICATE OF AWS
25 NECESSARY?

26 A. Whereas an analysis only requires a demonstration of the physical availability of
27 water, based upon general demand factors, a certificate of AWS is based upon a
28 specific plat for specific property. The five elements that must be met in order to

1 obtain a certificate of AWS are (1) water quality; (2) financial capability; (3)
2 physical and legal availability of water; (4) consistency with the management plan;
3 and (5) consistent with the management goal. The burden for obtaining an analysis
4 of AWS is only one portion of one of the five elements needed to obtain a
5 certificate. In other words, the standard for obtaining an analysis is much lower
6 than the standard for obtaining a certificate.

7 **Q. WHAT WAS THE REASON FOR OBTAINING AN ANALYSIS OF AWS**
8 **FOR EJR RANCH?**

9 A. As I customarily do with all of the Robson properties, I obtain an analysis of AWS
10 to secure a specific amount of water for the property. By securing this water for
11 the property, the water cannot be used by anyone else for a ten-year period. This
12 affords Robson the flexibility to make decisions regarding the property, such as the
13 decision to table EJR Ranch, for up to ten years while still preserving water for
14 development of the property. That is why I always obtain an analysis of AWS as
15 standard operating procedure when Robson acquires or seeks to acquire property.

16 **Q. MR. GARFIELD ALLEGES AT PAGE 12, LINES 17-21 OF HIS DIRECT**
17 **TESTIMONY THAT "CORMAN TWEEDY'S WORDS AND ACTIONS**
18 **REVEAL THAT IT HAS NO INTENTION OF MAKING IT POSSIBLE**
19 **FOR THE COMPANY TO COMPLY WITH THOSE CONDITIONS, SO**
20 **THAT THEIR UTILITY ENTITY, PICACHO WATER COMPANY, CAN**
21 **TAKE THE POSITION THAT IT SHOULD PROVIDE SERVICE WITHIN**
22 **THE COMPANY'S CC&N." IS THIS TRUE?**

23 A. No. This is not about whether EJR Ranch should be served by Picacho Water
24 Company or AWC. This is about a change in circumstances. As I have previously
25 stated in my testimony, Cornman Tweedy has made a business decision that EJR
26 Ranch, including the Cornman Tweedy Property, will not be developed at this time
27 or in the near future. That is why Cornman Tweedy has not requested water
28 service from AWC, and has withdrawn its request for water service from Picacho

1 Water Company.

2 **Q. CAN CORNMAN TWEEDY COMPLY WITH THE CONDITIONS SET**
3 **FORTH IN DECISION 66893 TO (1) ENTER INTO A MAIN EXTENSION**
4 **AGREEMENT FOR THE CORNMAN TWEEDY PROPERTY AND (2) TO**
5 **OBTAIN A CERTIFICATE OF AWS FOR THE CORNMAN TWEEDY**
6 **PROPERTY?**

7 A. No. Cornman Tweedy is not developing the Cornman Tweedy Property or any part
8 of the EJR Ranch Property at this time or in the near future.

9 **Q. IS MR. GARFIELD CORRECT WHEN HE STATES THAT CORNMAN**
10 **TWEEDY WOULD LIKE ITS AFFILIATE, PICACHO WATER**
11 **COMPANY, TO PROVIDE WATER SERVICE TO THE CORNMAN**
12 **TWEEDY PROPERTY?**

13 A. Picacho Water Company filed an application to extend its certificate of
14 convenience and necessity to include the Cornman Tweedy Property on April 14,
15 2005, in Docket W-03528A-05-0281. At the time the application was filed,
16 Cornman Tweedy believed the conditional CC&N of AWC issued pursuant to
17 Decision 66893 was null and void because AWC had failed to meet the conditions
18 associated with the CC&N. Picacho Water Company's CC&N already included a
19 substantial portion of EJR Ranch, and Cornman Tweedy believed that it made
20 sense to have a single water provider for all of EJR Ranch. In addition, Picacho
21 Water Company has an affiliate—Picacho Sewer Company—which is certificated
22 for all of EJR Ranch. However, given the change in strategy for EJR Ranch,
23 Cornman Tweedy notified Picacho Water Company by letter dated June 26, 2006,
24 that it was withdrawing its request for service to the Cornman Tweedy Property. A
25 copy of the June 26 Cornman Tweedy letter is attached as Exhibit CT-6. In a letter
26 dated June 26, 2006, Picacho Water Company withdrew its application for an
27 extension of its CC&N in docket W-03528A-05-0281. A copy of the June 26
28 Picacho Water Company letter is attached as Exhibit CT-7. The withdrawal of the

1 request for service is consistent with Cornman Tweedy's decision to table any
2 further development activities on the Cornman Tweedy Property.

3 **Q. HAVE YOU REVIEWED THE PRE-FILED DIRECT TESTIMONY AND**
4 **ACCOMPANYING EXHIBITS OF MICHAEL J. WHITEHEAD IN THIS**
5 **DOCKET?**

6 A. Yes.

7 **Q. MR. WHITEHEAD STATES AT PAGE 4, LINES 2-7 OF HIS DIRECT**
8 **TESTIMONY THAT "THE ENTIRE PROCESS OF OBTAINING WATER**
9 **SERVICE, FOR A NON-DEVELOPER OWNED UTILITY LIKE THE**
10 **COMPANY, IS PRIMARILY DEVELOPER DRIVEN, WITH RESPECT TO**
11 **WHEN THE COMPANY PROVIDES WATER SERVICE AT THE**
12 **DEVELOPER'S REQUEST. WITHOUT THE DEVELOPER'S**
13 **COOPERATION AND INITIATIVE, IT SIMPLY DOES NOT OCCUR,**
14 **NOR WOULD THE COMPANY HAVE A REASON TO MAKE IT OCCUR**
15 **BEFORE THE DEVELOPER IS READY." DO YOU AGREE WITH MR.**
16 **WHITEHEAD'S STATEMENTS?**

17 A. Yes. I certainly agree that the developer drives the process of obtaining water
18 service for new development, and this is as it should be. In the Staff Report dated
19 June 12, 2006, Staff states that "[t]he basic reason to require a time limit for the
20 submission of both the developer's CAWS and the MXA is to help ensure that
21 there is truly a necessity for the service being requested." Where there is no
22 demonstrated need for utility service, it is not appropriate to extend a CC&N. It is
23 incumbent upon the developer, as AWC points out, to drive the process by
24 obtaining a certificate of AWS and executing a main extension agreement. In this
25 case, Cornman Tweedy has elected for legitimate business reasons not to proceed
26 with development of the Cornman Tweedy Property, or any part of EJR Ranch
27 Property. Thus, there is no need for service.
28

1 Q. MR. WHITEHEAD STATES AT PAGE 13, LINES 26-28, OF HIS DIRECT
2 TESTIMONY THAT "THE AG ROBERTSON REQUEST NEARLY
3 SURROUNDS THE CORNMAN TWEEDY PARCELS, MAKING IT VERY
4 INEFFICIENT AND ILLOGICAL TO HAVE A VIRTUAL ISLAND OF
5 SERVICE TO BE CARVED OUT OF THE COMPANY'S EXISTING
6 CERTIFICATE IN ORDER TO HAVE ANOTHER UTILITY SERVICE
7 CORNMAN TWEEDY'S PROPERTY." DO YOU AGREE WITH MR.
8 WHITEHEAD THAT DELETING THE CORNMAN TWEEDY PROPERTY
9 FROM AWC'S CONDITIONAL EXTENSION AREA WOULD CREATE
10 AN ISLAND THAT WOULD PRESENT FUTURE PROBLEMS?

11 A. No. As you can see from the map attached as Exhibit CT-8, the elimination of the
12 Cornman Tweedy Property would not create an island. The Cornman Tweedy
13 Property sits between the existing certificated territory of Picacho Water Company
14 and the remainder of the Conditional Extension Area. In the future, the Cornman
15 Tweedy Property could be served by either AWC or Picacho Water Company.

16 Q. WHAT IS CORNMAN TWEEDY ASKING THE COMMISSION TO DO IN
17 THIS PROCEEDING?

18 A. Cornman Tweedy requests that the Commission deny AWC's requested extension
19 of the deadlines for compliance with Decision 66893 for any property where there
20 is (i) no certificate of assured supply, (ii) no executed main extension agreement,
21 and (iii) no request for service. Specifically, Cornman Tweedy requests that the
22 Commission exclude the Cornman Tweedy Property from AWC's CC&N for the
23 reasons that are stated in my testimony. The legal description for the Cornman
24 Tweedy Property is attached as Exhibit CT-2 to my Direct Testimony, and a
25 cadastral map depicting the Cornman Tweedy Property is attached as Exhibit CT-1
26 to my Direct Testimony.

27 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

28 A. Yes, thank you.

CT-4

July 5, 2006

Memo To: Jim Foulos
From: JDW
Subject: Net Sales at Casa Grande

<u>Month</u>	<u>Net Sales</u>
August 2005	59
September 2005	129
October 2005	70
November 2005	35
December 2005	0
January 2006	18
February 2006	5
March 2006	24
April 2006	9
May 2006	10
June 2006	2

Total 2005 – 293

Total 2006 – 68

Total Sold To Date - 361

CT-5

start - 7/11/05
end - 3/28/06

March 29, 2006

Ms. Donna Hancock, PE
Vice President, General Manager
B&R Engineering, Inc.
9666 E. Riggs Rd, Ste. 118
Sun Lakes, AZ 85248

Re: Resignation

Dear Donna:

Over the past several months, Ken, Donna and I have engaged in conversations regarding my continued employment at B&R Engineering. At the core of these conversations was the fact that the primary job description I was hired to perform, the management of the consultant team for EJR Ranch, had been put on hold and may in fact never emerge again. Given the reasonable expectations for an employee at my salary, I have struggled to find a place within B&R that fits my skill set. Based on this history, I had offered to resign with the request for a period of time to establish my next professional engagement.

Subsequent to these conversations, B&R made me an offer to resign effective March 28, 2006 with one-month severance pay. I have decided to accept this offer, and thereby tender my resignation effective March 28, 2006. I understand that the severance pay will be available within two weeks of receipt of my resignation letter.

As per our discussions, I look forward to continuing our relationship as CTE, my transportation engineering company. I appreciate Ken and your efforts in attempting to find a place for me within B&R, however all parties are in agreement that the best fit for me is as a consultant assisting you with traffic, transportation and special assignments for your development related needs.

Very Truly Yours,



Clark C. Clatanoff, P.E., PTOE
2450 E. Rocky Slope Dr
Phoenix, AZ 85048
602.321.0509



CT-6

**Cornman Tweedy 560, LLC
9532 E. Riggs Road
Sun Lakes, AZ 85248**

June 26, 2006

Picacho Water Company
95320 E. Riggs Road
Sun Lakes, AZ 85248

Re: Withdrawal of Request for Service

Dear Sirs:

Cornman Tweedy 560, LLC hereby withdraws its request for water service to the real property located in the east half and the northwest quarter of section 28, the west half and the northeast quarter of section 27 and the northwest quarter of section 26, all in Township 6 South, Range 7 East, Pinal County, Arizona. We have shifted the strategy for the project from development to investment, and there is no need for water service at this time.

Sincerely,

Cornman Tweedy 560, LLC
a Delaware limited liability company

by Arlington Property Management Company
an Arizona Corporation, its Manager

by 

its Vice President

CT-7

ORIGINAL

**Picacho Water Company
9532 E. Riggs Road
Sun Lakes, AZ 85248**

June 26, 2006

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Re: Docket No. W-03528A-05-0281, Extension of Water CC&N

Dear Docket Control:

Picacho Water Company hereby withdraws its application in Docket No. W-03528A-05-0281 to extend its water CC&N in Pinal County. There is not presently a need for service in the area.

An original and 13 copies submitted.

Sincerely,



Jim Poulos

Docketcontrol.120

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 JUN 26 P 2 44

RECEIVED

CT-8

